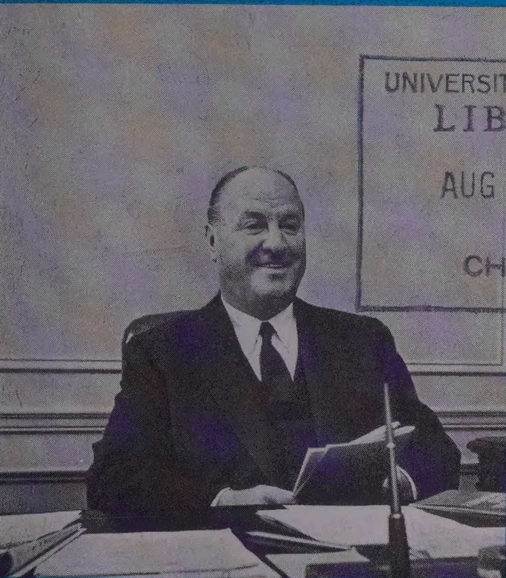

JOE MARTINO
AND FRIEND
PAINT BRIGHT
NATIONAL LEAD
PICTURE (see page 13)

ugust 19, 1959

Investor's Reader

For a better understanding of business news

ALLIED TRIUMVIRATE

On September 1, these three executives will become top management at the nation's top alkali (and No 3 chemical) producer, $748,000,000-assets Allied Chemical Corp. In keeping with Allied's tradition of finance-minded key execs, two of the three are more money than molecule men. To succeed retiring president Glen Miller as chief executive officer is erstwhile insurance man and current board chairman Kerby Fiske (left). Harvard grad Fiske had been a vice president of Prudential Insurance Company before he came to Allied as chairman of the finance committee in 1956, one year after he had been elected a director. In 1957, he moved up to head the executive committee, later added the chairman of the board title.

Taking Fiske's spot as chairman of the executive committee is executive vice president Harry Ferguson (right) who will be chief administrative officer. Amherst and Columbia Law School-educated Ferguson joined Allied in 1933 after seven years with a Wall Street law firm.

Third member of the top trio is new president and chief operating officer Chester Brown. A manufacturing man, new prexy Brown went to work for Allied after graduation from the University of Missouri (BS in chemistry) in 1929, moved up through various plant positions to become executive vice president in 1957.

The triumvirate will take over with company fortunes at record levels. Allied recent second quarter results were the highest for any quarter in company history: sales advanced 22% to $203,000,000 while earnings from operations of $1.67 a share were double the 83¢ of a year ago. Despite seasonal downturn in nitrogen sales, vacation shutdowns and threat of a protracted steel strike, president Miller maintained "the outlook for the year continues favorable."

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Investor's Reader

No 4, Vol 33 August 19, 1959

BUSINESS AT WORK

WALL STREET
Relative Pronouns

AMONG the entertainment and education screened by NBC over the closed TV circuit at the American National Exhibition in Moscow is the Big Board-produced movie *Your Share in Tomorrow.* But whether as proof Wall Street does not seek to export a capitalist revolution or simply a recognition of the Soviet status quo, the title for the Russian viewers has been realistically changed to *A Share in Tomorrow.*

OFFICE EQUIPMENT
Postmaster Particular

SOME MONTHS from now many letters posted at Stamford, Conn will start on their appointed rounds with an electronic assist. Developed under a special Government contract by Stamford's resident mail specialist Pitney-Bowes Inc (PBI on the Big Board ticker), this automatic mail sorter can read a routing symbol encoded on letters and separate them into different destination slots. The experimental machine may with future modifications be able to handle 300 categories. Ultimately it might be tied in with devices able to directly read typewritten addresses and issue appropriate sorting instructions.

Another PBI mailman's helper is farther along the test road toward general usage. This is the facer-canceler, developed by Pitney with its own funds. As mail is run through these machines, photoelectric cells sense the location of the stamp and cancel it. If necessary, the letter is flipped around for canceling on the return trip. Three of the automatic devices were tested in the Washington Post Office for six months, brought an order for 25 more.

These two moves toward automated mail handling are the most recent advances in PBI's long career

as a sort of US postmaster particular. While its full album of postal products includes mail scales and tables, commercial letter handling devices such as folders, inserters, openers, etc, the mainstay of company business is the postage meter. So successful is this metering business Pitney-Bowes has close to 250,000 meters in service in the US. They collected $1.1 billion or an amazing 48% of total US postal revenues in the year ended June 1958 (latest breakdown available).

But the stamp of success brought the company under anti-trust scrutiny as its few and minor remaining competitors became more & more inactive in the field. PBI agreed "the restoration of competition in the postage meter industry was in the public interest as well as our own long-range interest" and felt "the only safe way for us to help restore it appeared to be under a court order." Thus in January Pitney-Bowes signed a consent decree which required it to give companies qualified by the Post Office royalty-free use of existing patents, license at a reasonable fee new patents obtained within the next five years and give technical information related to manufacturing and service.

So far 16 companies have written expressing interest but only calculator maker Friden Inc (IR, Nov 12, 1958) has obtained necessary Post Office certification. However, the prospect of renewed competition in no way dismays PBI president Walter Heber Wheeler: "We believe competition, while it may take some postage meter business from us at the outset, very definitely will stimulate the postage meter market and will be beneficial to us in the long run. Pitney-Bowes experienced one of its fastest periods of growth under competitive conditions in the Thirties and I expect we will find the same thing happening when we have good postage meter competition again. We currently have and have had vigorous competition in all our other product lines and our sales of these products have grown year after year."

Magnetic Move. Further proof of the Pitney-Bowes competitive spunk is offered by its newest non-mail- product, a sorter-reader for automatic check handling systems via magnetic character sensing. General Electric is doing the electronics work on the system, National Cash Register the hardware. In addition National Cash will handle system sales although PBI will also market its own machine independently. The system will compete for the check sorting business of the nation's banks with similar systems offered by seasoned office machine specialists IBM and Burroughs. So far Pitney-Bowes is working on orders for 100 of the sorter-readers, principally destined for the Bank of America.

Presidential assistant James Turrentine feels the new product will have "quite a large potential—all the banks in the country." Even small country banks will be candidates for the system, which will cost about $55,000. According to Jim Turrentine "smaller banks will probably set up central clearing

›uses to use one installation to
ndle the checks of a number of
cal banks." Eventually Pitney-
owes hopes to open up still other
arkets for the machine in depart-
ent stores, oil companies, utilities
-almost "any sorting operation
rrently on punched cards."

Overseas Special. In still an-
her aggressive move, the company
rly this year set up a special
ternational division to provide a
ırdier base for overseas opera-
ons. Although it will be "slow
ing" at first, the new division
ould put Pitney-Bowes in a more
vorable on-the-spot position. Gen-
ally foreign sales have been
nited by various difficulties in
ing business with the postal de-
rtments of other nations.

However existing resident sub-
diaries have been able to mail
me good news. Last year the
nadian subsidiary's gross income
creased 5% to a new high of
,070,000; postal revenues col-
cted by its meters totaled $70,-
0,000 or 41% of all postage paid
Canada. At the same time 65%-
vned British affiliate Universal
ostal Frankers Ltd also metered
cord volume though expenses in-
rred in introducing a new model
eter for the Commonwealth mar-
t cut dividends to the parent back
$47,700 from $50,100.

This dividend cut was not for-
arded to parent PBI's own 8,430
ockholders. On the contrary, the
ock was split 3-for-1 in May and
e cash dividend rate on the 4,112,-
0 new shares raised 12½% to 15¢
arterly.

Prexy Wheeler (right) & Gov Ribicoff

Backing up this move were first class domestic earnings reports. While many less-specialized office equippers were troubled by the recession last year, Pitney-Bowes increased its gross to a record $51,300,000 from $45,900,000 in 1957 while net income climbed to a peak $4,420,000 or $1.07 a share from $4,140,000 or $1.00. In the first quarter of this year earnings pushed to 26¢ a share from 23¢.

Walter Wheeler figures: "Our first quarter gross income was up 16% and the second quarter business maintained this increase. We expect our volume of business and earnings to continue to increase this year." Obviously postmaster Pitney-Bowes seems determined to special delivery another record this year.

DRUGS

Norwich Prescribes

FROM the medicine men at Norwich Pharmacal Company of Norwich, NY comes a new drug, compounded from the lowly corn cob. Tradenamed Altafur, this latest addition to Norwich's ethical drug line is right in step with the $24,-500,000-assets company's pioneering interest in nitrofurans, a promising line of chemical drugs which have proved effective anti-bacterial agents against stubborn antibiotic-resistant germs. President George W Bengert prescribes: "Altafur is effective in such diverse conditions as pneumonias, wound infections, abcesses, ear and throat infections, conditions due to staphylococcus, streptococcus, pneumococcus and certain other bacteria. Many patients with these conditions failed to respond to prior treatment with antibiotics & sulfonamids but Altafur proved effective."

Altafur joins a number of other nitrofurans in Norwich's expanding medicine chest of ethical products: Furudantin for urinary tract infections; Furacin, for external treatment of infection; Furoxone, used for treatment of bacterial infections in poultry and other farm animals. All told the company's Eaton Laboratories turn out some 35 nitrofuran based pharmaceuticals and veterinary products.

Norwich has been in the ethical drug field since 1945 and the Eaton (ethical drug) division currently accounts for about one-third of total company sales volume. Ethical lines have been an obvious factor in company growth. Last year Norwich sales reached a record $37,150,000, a six-fold increase since 1945; earnings have shown a similarly healthy upswing from $694,000 or 86¢ a share in 1945 to $4,350,000 ($2.29 a share) in 1958. So far in 1959 George Bengert reports: "Sales for the first six months of 1959 were $18,060,000 compared with $16,-800,000 in the first six months last year; earnings were $2,040,000 ($1.08 a share) up from the $1,730,-000 (91¢ a share) of the first half of 1958. And barring something unforeseen, the trend of sales and earnings to date indicates in 1959 Norwich Pharmacal will have another record-breaking year."

This optimistic outlook plus nitrofuran publicity has caused some robust action in Norwich stock. The 1,900,000 shares of common (ticker symbol: NOR) currently trade on the Big Board at 80, up 36 points since earlier this year and 49 above the 1958 low. But even this price is twelve points below the alltime high of 92 reached earlier this year.

The Norwich success formula is not based solely on Eaton's ethicals. The company's original proprietary drug line contributes about one-half of total sales and has shown a steady growth over the years. A big sales push comes from No 1 seller, Pepto-Bismol, which not only "alkalizes but also tranquilizes" unhappy stomachs. Another Norwich proprietary product is Unguentine, a soothing, healing first-aid ointment for burns.

In addition to its two types of drug lines the company manufac-

tures fine chemicals for bulk sale. Here again of prime importance are nitrofurans which are sold to Dr Hess & Clark Inc, a division of Vick Chemical, for use as animal feed additives.

As do most drug companies, Norwich compounds its growth on a base of basic research. President Bengert comments: "We spend some 5% of sales on research each year—a look at our sales growth gives a good insight into our growing research budget." While NOR's principal research area is in nitrofurans, work is underway in the fields of nervous disorders and hypertension. Also attracting NOR's research attention are potentiators (chemicals which are not effective in themselves but when used in combination with certain drugs increase the efficiency of the drug).

MANUFACTURING
Refractories and the Strike

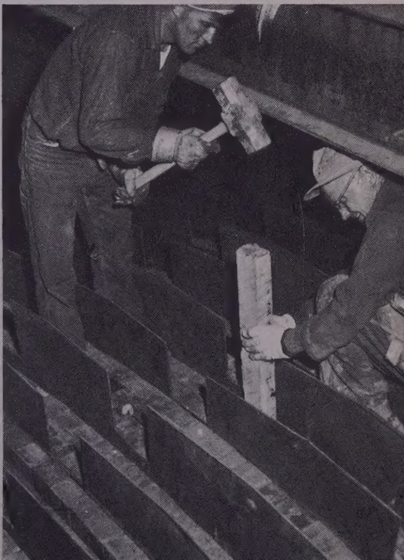
MOST PEOPLE dislike the steel strike. It hogties the struck companies and the wages of the workers; it spreads to companies which supply the steel companies or use their products. One important group of suppliers now hobbled by the steel strike are makers of refractory bricks which are used by the millions to line the steelmaking furnaces.

"We're unable to ship to the plants which are struck because the people who unload the bricks are on strike," says Lawrence E Mock, treasurer of Harbison-Walker Refractories Corp, a $100,000,000-assets Pittsburgh-based company which is the largest in the field. The strike is also retarding shipments of next-biggest producer, $75,000,000-assets General Refractories Corp. Shut down tight is Northwest Magnesite Company, an important supplier of minerals for refractories which is owned 60-40 by Harbison-Walker and General Refractories.

Refractory production is not at a standstill, however. A small proportion of steelmakers (example: Granite City) are still operating because of unexpired contracts or independent labor contracts. The heat resistant bricks are also used in other fiery furnaces for producing nonferrous metals, glass, cement and coke.

Refractory Benefits. However while not generally known, there is an aspect of the strike which may benefit the refractory companies. The cooling and subsequent reheating of furnaces can wreck a stack

Refractory work underway



of bricks. Says one observer: "If you go back over history you find that refractory companies always have excellent years when there is a steel strike, primarily because a lot of furnace linings are ruined in the stopping and starting of production."

In 1956 there was a 37-day steel strike and a look at the earnings of the two largest refractory companies is interesting. Harbison-Walker Refractories had earnings for the full year of \$3.64 a share *v* \$2.55 the year previous; General Refractories had earnings of \$7.21 *v* \$6.01.

Refractories men are understandably loath to attribute these gains to steel strikes. The increase is "very small," says one, "not worth a tinker's damn," says another.

The companies are much more excited by the robust condition of the steel industry prior to the strike (and the prospect of equally good health when it ends) plus some new products which are getting a good reception.

The steel industry had its best three months in history during the second quarter, with production of almost 34,000,000 tons. This was added to the 30,000,000 tons produced in the first quarter. In consequence many steel companies reported epic profits, a fact which has caught the eye of union leaders.

Basic Truths. Contributing to this prosperity has been the adoption by many steel companies of so-called basic brick, encased in metal, for the roofs of their open hearth furnaces. This brick resists higher temperatures than the old silica brick (a torrid 3,200° *v* 3,000°). The name basic refers to a chemical quality—the ability to resist corrosion from alkalis.

The use of basic brick has allowed steelmakers to pump pure oxygen into the furnaces to speed the refining process and to increase production. In some cases, furnaces which once produced 20 or 30 tons an hour now produce 50 tons. Some 90% of steel in the US is produced in open hearth furnaces and so far just over 100 of the 900 open hearth furnaces in the nation have been converted to basic roofs. This leaves what industry observers consider an excellent potential market.

Good Omens. Refractory men agree these things signify good results for their companies. Harbison-Walker has already turned in first half profits up 76% to \$1.81 a share. General Refractories racked up \$2.09 a share in the first half or almost four times 1958. Stockholders of the latter will vote next month on a 2-for-1 stock split. Some other first half results in the industry: A P Green Fire Brick \$1.32 *v* 54¢ and Gladding, McBean 84¢ *v* 32¢.

Says Harbison-Walker's Lawrence Mock, "a lot depends on the steel strike. If there is a settlement before Labor Day, we will have a good remainder of the year. If not, it's merely a matter of deferring sales volume till later. We won't lose any permanently." Says Lionel Y Greene, president of General Refractories, "whatever is lost by the steel strike will be made up later."

Meantime the companies look to the continued conversion of open

hearths to basic brick. They also smile brightly when they think of the heat resistant brick used for missile launching pads at Cape Canaveral. So far, however, they label any major space age market as premature.

CHEMICALS
Sherwin-Williams Sparkle

WHILE the steel strike has brought a slowdown for refractory brick makers (see page 5) it has proved a boon in an unexpected quarter. President Arthur William Steudel of the Sherwin-Williams Company, largest producer of paints & varnishes, reports: "Sales are doing just fine especially in the steel centers where idle steelworkers are busy coating houses, garages and fences with our paints & varnishes. Of course this sales spurt in the steel area in spite of bad times is temporary."

Not transitory is Sherwin-Williams efforts to "cover the earth" with its paints. Prime evidence of this colorful enterprise: for the year ending next week, SHW (Amex ticker symbol) sales are expected to total $282,000,000, an 11% increase over fiscal 1958; earnings are brightly figured at about $13 a share compared with the $11.48 earned last year.

Sherwin-Williams paints account for about 90% of total company volume. Most of these sales are direct to the consumer through tens of thousands of authorized dealers and more than 1,300 company branch stores. Top home paint sellers are Kem-Tone, Super-Kem Tone and Kem Glo. The remaining 10% of SHW business comes from a variety of varnishes, enamels, pigments, dyes, lacquers, chemicals, oils, brushes and insecticides.

Responsible for the continued blending of new SHW products and sales is the company's research program. One recent research development is Loxon, a special type of concrete paint which according to President Steudel "is a marked improvement over anything on the market; its excellent sales record proves the point"; another is a permanent blue pigment with built-in sun fastness and weather resistance "the quality of which is not matched by anything at present."

Marketwise, SHW stock has moved with a bold stroke in the past year. The 1,278,000 shares of common now trade on the Amex at 238, some hundred points above the 1958 low. Sherwin-Williams president Steudel comments: "At present we are considering a possible stock split and an extra dividend is under consideration for this Fall." The paint specialist traditionally pays out some 50% of earnings in dividends—last year the company disbursed $5.50 on the common for a 2.3% yield.

TRUCKS
Production Pick-Up

FOLLOWING close behind passenger cars in their powerful uphill climb this year, truck production also rolls along in high gear. On August 1, U S motor truck production stood at 768,000 *v* 516,000 a year ago—a hefty 49% in-

crease. In all of last year only 871,000 units were turned out.

Representing 17% of all motor vehicle output, trucks are the most popular form of freight transportation in the nation—a fact of which the railroads are all too well aware. For instance, last year they hauled 417,657,000 pounds of butter, 22,405,000 cases of eggs and 204,120,000 pounds of live poultry to their destinations.

The acceleration will mean good news for the Big Three auto makers who along with International Harvester sell 88% of U S trucks. General Motors' Chevrolet division (fellow GM division G M C Truck & Coach is also a big producer) outpaces the rest of the field with 250,490 units off the assembly line so far, 40,719 more than No 2 Ford and 202,028 more than Chrysler's Dodge division. The huge volume of Chevy, Ford and Dodge comes from the thousands of pick-up and delivery trucks constantly in use on farms and for short trips in cities and suburbs.

On the other hand International Harvester, usually thought of as a farm machinery company, actually has 48% of its volume in trucks—mostly of the heavy-duty variety. On August 1, International Harvester truck production was up 65% over a year ago.

An even bigger acceleration will be felt by the so-called independent truck manufacturers who depend wholly on commercial vehicles for their livelihood. These companies make the bulk of heavy-duty trucks and find their profit in high price tags on fewer units.

White Motor Company, the largest of the independents, builds to specification for many industries from food to construction. Now putting out over 400 units a week, it makes cement mixers, tankers for chemicals and petroleum, flatcars for lumber as well as Army transports and tractors for hauling trailer freight. White has steered for expansion with the acquisition of Sterling Motor Truck in 1951, Autocar in 1953, Reo Motors in 1955 and Diamond T last year. The last three are now operated as divisions.

Ford truck fleet ready to roll

White reported first half profits of $3.33 a share *v* $1.22. (adjusted for a 2-for-1 split in March).

Fruehauf Trailer which supplies nearly half the nation's truck-trailers also made a substantial comeback in the first half, reported earnings of $6,050,000 or 90¢ a share against the June 1958 deficit of $449,000.

Synonymous with powerful vehicles, Mack Trucks Inc reported a powerful 145% first half increase in net income to $7,883,000 or $3.04 a share. In addition to trucks, Mack also makes workhorse tractors and off-highway equipment plus transit and cross-country buses featuring such luxuries as air-conditioning and reclining seats. It also produces a full line of fire-fighting apparatus. Mack expanded operations further three years ago with the acquisition of bus maker C D Beck and trucker Brockway Motor.

The mainstays of highly specialized Divco-Wayne Corp are school buses, multi-stop delivery trucks (for dairies, laundries and bakeries), ambulances & hearses. Because it has a more stable demand for its products than those dependent upon capital goods industries, Divco-Wayne civilian sales were off only 3.4% in recession-dominated 1958 from the record high of $28,154,000 in the fiscal year ending October 1957. The six months ended April produced $15,414,000 worth of sales compared to $12,767,000 in the 1958 period, an indication another record year is around the bend. First half profits rolled to $1.01 a share compared to 70¢ in 1958 (adjusted for a 10% stock dividend in March).

Other big producers such as Kaiser Industries' Willys Motors division and Studebaker-Packard also report production way ahead of last year. If sales maintain the same fast clip, U S truck manufacturers should be blowing their horns in satisfaction when annual reports are due.

AUTO EQUIPMENT
Detroit Harvester Switch

AS THE BULK of its business is in other than farm machinery lines, the Detroit Harvester Company considered its agricultural-sounding name "a problem which has plagued the company for ten years." Hence three years ago, it started a search for a new and more appropriate title. Finally, early this month Detroit Harvester announced the result: it has re-christened itself Dura Corp, "a name which connotes strength, endurance and stability and yet is broad enough to cover the entire range of our activities."

The $23,000,000-assets company has ranged far indeed since its 1922 founding as a haymower maker. Seven acquisitions have expanded its product roster to include auto parts & service equipment, power lawn mowers, die & permanent mold aluminum castings, street sweepers, etc. Less than 10% of volume comes from farm machinery.

The first major acquisition in 1936 was the Dura Company of Toledo which provided not only the company's recently adopted new name but also a number of auto accessory firsts over the years. In

1938 it was the first to produce hydraulic mechanisms for the tops of convertibles; in 1940 it came out with the first equipment to operate push-button windows.

This pioneering has paid off. President Thomas Smith reports: "We are the sole suppliers to the Big Three of the electro-hydraulic units for convertibles and also have a big part in the push-button window business."

A new offshoot of auto hydraulics are self-adjustable contour beds for hospital and home use. Tom Smith says: "We just signed a contract with the Sealy Mattress Company to produce the automatic beds for them. This hydraulic mechanism really has a myriad of purposes." Another division, Motor State Products neatly complements the Dura division's output by manufacturing frame assemblies for the convertible tops.

Because of the company's large auto parts business (about two-fifths of total sales) the slump in 1958 auto production caused a slowdown in results last year. Earnings for ten months ended July 1958 (the company changed from a September to July fiscal year) were $550,000 or $1.06 a share compared with $1,700,000 ($3.35 a share) netted in the twelve months of the 1957 fiscal year.

Since then executive Smith reports company fortunes have soundly rebounded: "We will earn $3.40-to-$3.50 for the year ended July 31 on sales of about $52,000,000." (Sales for the previous ten-month period were $35,000,000.) In the over-the-counter market, the price of Dura's 520,000 common shares has also rebounded from a 1958 low of 15 to 28 at presstime. The dividend was cut from 30¢ a quarter to 10¢ last year. However Dura recently announced it will supplement the payout with 10% stock in September.

Tom Smith explains the pick-up in operations. "The increases this year came from nearly all our divisions. Only the implement business [street sweepers, haymowers and other agricultural equipment] remained substantially the same. Volume of the Moto-Mower division [which contributes over 30% of sales] doubled and I believe saleswise we now stand No 1." The company has a contract to produce power mowers for Montgomery Ward through mid-1963, also sells through chains such as Allied Stores. Prexy Smith wants to expand this successful line "to cover the whole garden industry from tools on up."

Another plus factor in fiscal 1959 results was the April acquisition of Weaver Manufacturing Company of Springfield, Ill. This auto service equipment maker has "volume in excess of $6,000,000 annually" from its auto service equipment, and Tom Smith notes it "made an important contribution to our 1959 sales." President Smith plans to enlarge Weaver's line of car washers, jacks, headlight & brake testers etc "to include everything needed in a garage or service station." Along with the Moto-Mower division, he feels the new addition "has the greatest growth possibilities in the company."

OIL
Gushing First Half Gains

CORPORATE REPORTS for the first half of 1959 are in season and many show hefty increases over the same period last year. Some of the heftiest are those reported by the dramatically recovering oil companies which were probably one of the hardest hit groups in the 1958 recession. However Atlantic Refining president Henderson Supplee warns: "While these improved earnings are encouraging we must view them as a return to more normal conditions from the badly depressed economy in the first six months of 1958." Nevertheless many heartened industry observers feel 1959 profits will be second only to record-breaking 1957.

For instance industry leader **Standard Oil of New Jersey** is well on the way as six months profits rose 27% to $315,000,000 or $1.47 a share. Total revenues gained only 6% to $4 billion but capital and exploration expenditures dropped from $532,000,000 to $426,000,000. An added boon to the Standard 500,000 shareholder family (only American Telephone & General Motors are more widely held): after months in the doldrums the stock climbed from around 50 to 55 in a few days.

Continental Oil stockholders received comparable good news as their shares gained 6 points to 58 after the company announced first half net of $29,160,000, the highest ever. President Leonard McCollum noted the improvement "resulted mainly from increases in crude oil production, natural gas deliveries from leases and sales of refined products."

Standard Oil of Indiana also posted healthy volume gains as crude oil and natural gas liquids production rose 16%. All in all first half revenues were up 8% to $985,600,000; net income gained a whopping 50% to $78,900,000 or $2.20 a share.

Third-ranking **Gulf Oil** joined the recovery ranks as net rose to $141,800,000 or $4.38 a share compared with $115,700,000 ($3.57 a share) a year earlier. A large part of the improvement came from second quarter results of $2.32 a share compared to $1.70 in 1958.

Phillips Petroleum benefited not only from added sales of petroleum products and greater output of crude oil and natural gas but also from capacity production at its uranium mill. The result: a profit increase to $53,200,000 or $1.55 a share *v* $36,400,000 or $1.06 a year ago.

Still another gushing release came from **Sinclair Oil** which posted record first half sales of $621,000,000, over $592,500,000 in 1958. Profits totaled $1.76 a share *v* $1.45 last year. Chairman Percy Spencer commented: "The strong demand for oil products was exceeding most industry forecasts made earlier this year." Although influence of this demand was tempered somewhat by excessive inventories and low prices in the first half of the year, he added optimistically: "Gasoline prices are beginning to strengthen and if this trend can be maintained it is reasonable to expect the remainder of 1959 will continue to show improvement over results obtained in 1958."

WE HEAR FROM . . .

For the past 14 years the policy of this section has been to print only letters of criticism or additional information. Because they would add little to the knowledge of readers, our numerous complimentary letters will be included only on rare occasions.

No Fortune

DENVER

GENTLEMEN:

The writer has read with much interest the article "How to Make a Fortune" in your May 13 publication. It is a fact that everyone likes to hear a success story, but I have one for you taken from the other sheet of the ledger. Listen to this one.

In February of 1937 I bought 200 shares of Hurd Lock & Manufacturing for 1⅝. Since that date I received a reverse split of one share for five, or 40 shares presently listed stock (on the American Stock Exchange) at a cost to me of 8½. I finally sold the 40 shares this month after twenty-two years at a net profit to me of $44.

I was not so successful to meet the broker in 1934 to talk me into buying Minneapolis-Honeywell. The point that I wish to bring forth is that there exists just as many if not more dismal stories concerning the stock market as success stories, but no one likes to hear the dismal stories and therefore they are never published.

Very truly yours,
HARRY M GOLDMAN

Tales of 1929

STAMFORD, CONN

GENTLEMEN:

I was very much interested in your historical story comparing 1929 highs with today's prices on stocks which have never yet fully regained the glories of thirty years past.

May I call to your attention that International Telephone & Telegraph has been split two-for-one so they are not so horribly behind the procession as it would appear.

Very truly yours,
WILLARD C POOLE, JR,
The Fairfield County Trust Company

NEW YORK CITY

GENTLEMEN:

In listing the 1929 price for Canadian Pacific in your July 22 story on stocks trailing 1929 highs, you failed to adjust for the 4-for-1 split in 1930.

Very truly yours,
AL LOEW

Sorry. Both this Spring's IT&T split and the Canadian Pacific division of 1930 vanished somewhere between the original worksheets and the final proofs. However even adjusting their 1929 highs for these splits, both stocks are currently selling only around half their peaks of 30 years ago.—*Ed.*

NEW YORK CITY

GENTLEMEN:

I think your article in INVESTOR'S READER issued July 22, 1959 entitled "Some Stocks Look Back to 1929 Glories" and the list of stocks below their 1929 highs, most illuminating.

I strongly suspect those stocks in which the prices have not kept up were the victims of "Great Expectations" that did not materialize, although the companies in many cases have remained very highly sound. It would seem to me that many of the stocks which are now selling at prices disproportionate to their present earnings are likely to suffer the same fate pricewise in the long term unless their earnings very materially increase.

An analysis of the trend of the price-earnings factor since the high prices of 1929 of some of these stocks, would be most interesting.

Very truly yours,
PETER FORREST

The question of stocks which are selling "at prices disproportionate to their present earnings" noted by reader Forrest was one of the reasons INVESTOR'S READER recently ran an article on lofty price-earnings ratios (IR, April 15).—*Ed.*

Bright Color in National Lead

Vigorous Growth of Products and Services Enhances Company Prospects

IN ONE of New York's oldest skyscrapers 20 floors above quiet Trinity churchyard and Broadway's busy traffic, Joseph Anthony Martino smoothly pilots the diverse operations of the National Lead Company. The enterprise has $370,000,000-assets and manufactures paints, pigments, oils, fabricated metal products, die-castings, drilling muds, bearings, screws, steel containers and chemicals.

Long Island-born, 59-year-old Joe Martino has been identified with National Lead almost as long as the company's Dutch Boy trademark (see cover). In 1916 Joe joined National Lead, a small paint and pigment business, in the accounting department. His position has grown with the company's expanded product list. After serving an 18-year apprenticeship in administrative operations he moved up to assistant comptroller in 1934. Ten years later he became a director and member of the executive committee: then his rise was swift: comptroller in 1945, exective vp in 1946, president in 1947.

Since Joe Martino became president. National Lead also has done some fast moving. Sales doubled from $268,000,000 in 1947 to a record $576,000,000 in 1956. Over the same period earnings showed far sharper gains, increased five-fold from $12,000,000 in 1947 ($1.09 a share) to a record $63,100,000 in 1956 ($5.34 a share). However the start of the recession in the second half of 1957 dropped sales for that year while earnings fell to $56,200,000 or $4.64 a share.

With the general business slowdown continuing in the first half of last year sales continued down and 1958 earnings declined to $44.700,000 ($3.65 a share). Accountant Martino accounts: "Although National Lead's sales and earnings in 1958 show a reduction as compared with 1957, signs of recovery appeared early in the second quarter and a steady improvement continued through the year. This improvement continued into 1959."

National Lead's first half report confirms president Martino's statement: sales increased 18% to $264,500.000 and earnings rebounded to

Research at Brooklyn Lab

$26,800,000 or $2.21 a share from the $20,900,000 ($1.70 a share) of the first half of last year. These figures reflect not only the general business recovery but "economies and improvements put into effect in 1958 which place National Lead in a strong position to take advantage of 1959's more favorable conditions."

Primary Paints. National Lead operations remain deeply colored by the company's original paints and pigments which are sold under the Dutch Boy label and account for 41% of current sales. But brightness is added by the company's wide diversification in metal product fabrication (20%), die-castings (14%), drilling muds and services for the oil industry (11%), bearings (6%) and miscellaneous products (including screws, refractories, metallurgical alloys, lead, zirconium and titanium chemicals, 8%).

Fifty years ago National Lead had only one basic product—white lead. Today it offers a complete line of paints, pigments, varnishes and enamels. Just a sampling of LT's (Big Board ticker symbol) palette: Nalplex, odorless, water resistant acrylic latex paint which provides quick drying; M50 pigmented paints which protect metals from rust and weather; a wide range of indoor & outdoor paints which contain titanium dioxide to make them the whitest of white paints."

It was National's use of titanium dioxide pigment which led to its position in titanium metals. Together with stainless steelmaker Allegheny Ludlum, the company formed the Titanium Metal Corp of America in 1950. The subsidiary has grown largely as a result of Government demand for titanium products for defense. Hence the setback in defense spending in 1958 was responsible for the subsidiary's drop in sales last year to $23,900,000 compared with $52,500,000 in 1957 and its 1958 loss of $1,370,000 *v* a profit of $4,300,000 in 1957. However a concentrated effort to widen the market for this erstwhile wonder metal with its light weight (56% as heavy as steel), corrosion resistance and great strength produced an "improvement in earnings in the last quarter of 1958."

President Martino feels titanium's corrosion resistance will mean important new uses in the near future. He enthuses: "Titanium is one of the greatest pigments and metals known —its development in the last nine years has come along rapidly. We think it still has a lot of merit and will one day be one of the greatest metals."

Another major factor in National Lead's overall sales slip last year was a 25% drop in its Doehler-Jarvis division. Acquired in 1953, this division is the world's largest commercial producer and finisher of non-ferrous die casts. But president Martino can now report: "This year Doehler-Jarvis sales will be substantially better."

This sales boost will come from increased auto and appliance production, two of the top customers for Doehler-Jarvis die casts. A recent development is the patented design of an aluminum V-8 die cast engine block. Joe Martino judges:

"The economical design of the aluminum engine block which Doehler-Jarvis has been working on for many years is an important step in the trend to greater use of aluminum in American cars."

Diversification-minded National Lead also concerns itself with other business pictures. It produces drilling muds, vital weighting fluids which confine oil and gas during petroleum drilling operations. It manufactures a wide variety of bearings to fit any industrial need (including railway journal bearings); it turns out steel containers for packaging paint, grease and other industrial products; and its Baker Castor Oil subsidiary produces castor oil for use in adhesives, asphalt tile, printing inks, cosmetics and fertilizers, not to mention the medicinal product unhappily known to many kids.

New Entries. To precipitate continued growth of LT's diverse operations, the company follows an aggressive research program to create new markets and new products. Some recent items from the company's 18 laboratories: a number of titanium and zirconium compounds for use in ceramics, transistors, cosmetics and leather tanning; large diameter crystals of strontium titanate which are finding both military and optical applications; new advances in drilling mud technology which shorten drilling time and prolong the life of equipment. In the present but still future world of plastics National Lead chemical research has developed stabilizers for vinyl plastics and polypropylenes which protect against deterioration by light and heat.

Research efforts have also sparked two new operations: R-N Corp, organized by National Lead and Republic Steel to license a process of direct reduction of iron ore which is of particular interest in the expand-

Titanium division plant at Sayreville, NJ

ing steel industry; and the Nuclear Metals division, formed in 1957 for research and development work on industrial applications of atomic energy.

However fishing enthusiast Joe Martino comments: "Most of our research budget, some $7,000,000 this year (not counting Government sponsored projects), will not be lured into any field but those we know best—metals, chemicals, paints and pigments. They made our business so we'll spend most of our effort on the things we know most about."

Overseas Interests. However National Lead has not stuck to home with these things it knows most about. Like others in the chemical and metals fields it has important overseas interests. Globe-trotter Martino comments: "Our overseas business is an important part of our operations. We are represented in Argentina, Australia, Belgium, Britain, Canada, Cuba [pause], France, Mexico, Norway, Panama, Peru, Philippines, the Netherlands, Trinidad, Venezuela and West Germany. Last year our foreign operations progressed at a satisfactory level."

Joe Martino continues: "An increase over 1957 was experienced in European, South American and Canadian sales." Last year for the first time Canadian sales of titanium lead pigments, fabricated non-ferrous metals, die castings and oil well drilling muds ($31,740,000) were consolidated in parent National Lead's financial statements. "The expanding scope of Canadian operations represents a smaller scale duplication of domestic business."

Fostering the future growth of overseas titanium dioxide operations will be the new ilmenite (titanium ore) mill under way in Hauge i Dalane, Norway. Shipments of titanium from the mill are expected to reach European titanium pigment plants by 1960. Also boosting overseas titanium dioxide production is the acquisition of a major interest in Societé Chimique des Derives du Titane, Belgian producers of titanium pigment.

To further other interests on the world scene National Lead acquired 50% of Baroid-Maffei, an Italian producer of oil well drilling materials early in 1959. This is the company's first venture in Italy and places National Lead in an advantageous position for business in the oil rich Middle East and North Africa.

Summing up the expanding components in the National Lead "big picture", Joe Martino predicts "full year sales, barring something unforeseen, will continue at present levels" while he speculates "earnings may reach the $4.64 a share of 1957." As for dividends, Martino feels: "The current 75¢ quarterly dividend will probably be augmented by an extra at year end as in the past few years." (National boasts a 53-year consecutive dividend record, only 15 years less than its corporate life.) Based on its current Big Board price of 129 (9 points below the alltime high reached in 1957) the common now yields 2.5%—about all you can get in the stock market these days for an aggressive, growth-minded company.

TRADITION AND PROGRESS AT PEPPERELL

This young lady admires her four-poster decked out in Pepperell sheets of colonial rose—a design which blends Pilgrim grace with modern allure. In much the same fashion Pepperell Manufacturing Company, a venerable Yankee concern which has paid dividends for 107 straight years, strives to combine its traditional quality with space age ideas.

Pepperell was the first to introduce colored sheets, has since added combed nylon and no-iron sheets. The company has been notably successful in recent years with its bed and crib blankets of acrilan. It also makes industrial textiles and fabrics for work and sports clothes.

At present all five Pepperell mills and finishing plants in Maine, Alabama and Georgia operate at capacity. However, unlike some of its customers, Pepperell has had no bed of roses in recent years of textile overproduction and stiff competition. Sales hit a peak of $98,800,000 in the June 1956 year only to fall to $80,900,000 in fiscal 1958. But they rebounded to $93,000,000 in the year ended this June.

Earnings unraveled from a high of $8,980,000 or $18.48 a share in fiscal 1948 to only $1,840,000 ($3.79 a share) in the June 1958 year. But in fiscal 1959 operating net of $2,456,000 ($5.05 a share) was the second highest in six years, only slightly below the $5.18 a share earned in fiscal 1957. Counting in non-recurring income of $1,208,000 from sale of non-manufacturing facilities would up total 1959 profits to $7.54 a share.

Directors consequently supplemented the 75¢ quarterly dividend with a $1 year-end extra payable Aug 15 v only a 50¢ extra last year. Spurred by the earnings and dividend improvement, the 486,000 shares (held by 6,600 stockholders) advanced 13 points in two months to but a few points below the alltime 1951 peak of 77½. However they have since eased to 68.

LP-Gas Fuels Growth of Two Companies

Bottled Gas Gains Boost
Top Independent Producer
Texas Natural Gasoline

DESPITE its name the No 1 product of the Texas Natural Gasoline Corp of Tulsa is not natural gasoline but liquefied petroleum gas ("bottled gas" to laymen, LP-gas to the industry). However the title is not really a misnomer since the eleven-year-old firm is the largest independent producer of both natural gasoline and LP-gas and both types of products are recovered from the "wet" or "casinghead gas" brought up during oil production. Together the two lines bring in three-fourths of company revenues.

For natural gasoline the company's best customers are oil refiners. They blend it with their regular cracked-from-crude gasolines to improve their fuel's clean burning and quick starting properties.

But the market with the greatest promise is in LP-gas (chiefly propane and butane). Customers include exurbanites and farmers not hooked to natural gas lines who use gas stored in cylinders for cooking, heating and a surprising number of other functions (eg, operation of farm machinery). But LP-gas is also bought by oil refiners, chemical companies and other industrial processors. Another promising market is as fuel for trucks, buses, tractors, taxi fleets, etc.

Sparked by steady increase in customers and uses, the LP-gas industry's sales have exploded from 4,500,000 gallons less than 30 years ago to 7.5 billion gallons in 1958. Thanks to a colder than usual winter and wider uses for LP-gas, sales this year are expected to gush to 8.5 billion gallons.

Texas Natural's own sales piped up from \$784,000 in the year ended August 1949 to \$29,100,000 in fiscal 1957 while earnings zoomed from 10¢ a share to \$4,700,000 or \$2.81 a share (adjusted for stock dividends). Last year volume dipped to \$26,900,000, profits to \$2.55 a share. While sales in the year ending next week will set another alltime high, earnings are expected to remain on the plateau established over the past three years—somewhat higher than last year's \$2.55 but probably not above the \$2.77 record of 1957.

The company has never paid cash dividends but distributed 2½% in stock in 1955 and 4% each year since, in addition to a 2-for-1 split in 1958. The 1,830,000 shares of common trade over-the-counter around 41, a considerable cutback from the alltime high of 55½ reached this January. But even at the current price the stock has doubled in value in three years, multiplied almost nine-fold since 1953.

To keep up with growing demand the company started a new natural gas liquids plant in Louisiana in May, its eleventh plant and the third outside Texas (it has one in Montana and a half interest in one in Louisiana). The move beyond its native production habitat (headquarters have always been in Tulsa)

was spurred by the Lone Star State's sharp "prorationing" restrictions on oil output which automatically cut the supply of wet gas available to Texas Natural. In fact, this imposed limitation on its raw material is one reason for last year's curtailed volume.

Nevertheless Texas Natural also continues to add to its facilities in the state, is presently completing expansion of a plant in Coke County, Texas. Texas Natural and its subsidiaries own and operate pipeline gathering systems through which natural gas is carried from producing wells to plants.

LP-gas is kept in liquid form under pressure of about 200 pounds a square inch, converts into gas when released from the pressure tank. Since it thus must be kept compressed until the moment it is used, it is more difficult to transport than many petroleum products. Texas Natural and most LP-gas distributors depend chiefly on truck or tank car. Texas Natural owns the largest tank car fleet in its industry.

To take advantage of higher LP-gas prices which prevail in cold weather (currently for instance, the price is 4¢ a gallon while it went as high as 5½¢ last Winter), Texas Natural has pioneered in storage so summer production can be saved until consumers turn on the gas in the Fall. It built large underground facilities which go down more than 3,300 feet and can hold up to a third of its yearly natural gas supply. Storage is far cheaper underground than above ground. It costs about $6 to build a barrel's worth of underground storage space in depleted gas reservoirs, mined caverns, washed out salt beds and other geological structures compared to about $25 to provide an equal amount of space in containers above ground.

National Propane Lift

ANOTHER COMPANY eager to cash in on the liquefied petroleum gas boom is National Propane Corp, one of the largest distributors of LP-gas and the appliances which use it. Unlike Texas Natural it does not manufacture LP-gas, obtains its supplies from Shell Oil and Esso.

National Propane's sales have climbed from $10,600,000 in the year ended November 1956 to $13,700,000 in 1958 and president Harry Forman looks for approximately $20,500,000 this year. Earnings pumped from $624,000 (83¢ a share) in 1956 to $826,000 ($1.17) in 1957, then declined to $779,000 ($1.03) in 1958. For this year president Forman predicts earnings of "from $1.25 on the conservative side to quite possibly $1.50."

Incorporated late in 1953, National Propane started business with just one division, Conservative Gas which now serves 53,000 installations in New York suburbs, particularly on Long Island. In mid-1955 it acquired Lehigh Bottled Gas in southern New England, now has 33,000 retail customers there. In December 1955 what is now National's Great Plains Gas division was acquired from Shell Oil Company. Today the Great Plains unit supplies 215,000 installations in-

cluding 6,000 bulk customers in eight Midwest states. Last December National Propane purchased the Arrow Gas Company and ten subsidiaries which operate in New Mexico and small parts of surrounding states. It sells about 60,000,000 gallons a year, a third retail.

Prexy Forman predicts continued rapid growth for LP-gas. He cites the continuing "sure and steady" suburban trend. Farm consumption of LP-gas is also increasing and farmers use the fuel in their irrigation motors and tractors as well as for cooking. He reports "spectacular" growth in the use of LP-gas for fuel for buses and trucks. Harry Forman also thinks increased publicity will help LP-gas for he claims it is "cheaper than electricity" in many rural areas.

The company has only 556,000 common shares; they sell over-the-counter around 14. Stock dividends of 5% were paid both in 1958 and 1959 but no cash payment is expected in the immediate future. Prexy Forman hints: "If a large number of our preferred shares [there are 139,000 shares of class A preferred convertible into 2.2 shares of common and 27,000 class B preferred convertible into 1.8 shares of common] were converted we would consider the institution of a cash dividend."

He adds enthusiastically: "National is interested in acquisitions in areas it already serves and in new service areas. There are distinct prospects for at least one acquisition before the end of the current fiscal year."

UTILITIES

Atlantic City Special

THE SECOND WEEK in September will bring a dual attraction for stockholders of Atlantic City Electric Company enjoying post Labor Day breezes at the South Jersey shore. From September 8 through 12 they can watch the Convention Hall pageant as the nation's loveliest vie for the Miss America crown. And on September 9 they can stroll from the Boardwalk to the company's Pacific Avenue headquarters for a special stockholders' meeting to ratify directors' recommendation of a 3-for-2 common stock split.

Backing up the directors' expansive proposal is the $144,000,000-assets utility's strong growth record. Powered by a faster-than-national population increase in its 2,700-mile South Jersey service area (roughly one-third of the state) and the trend to more year-round industrial business in the once principally resort area, revenues have increased 138% in the last decade while earnings charged up 212%. In the twelve months ended May 31, earnings rose to $2.02 a share *v* $1.85.

Since the news of the split the 2,520,000 Big Board-listed common shares have advanced slightly from 45 to their current price of 48. Based on the present $1.50 annual dividend rate, they yield about 3%. The dividend figure on the new shares will not be considered until the mid-November directors' meeting. However stockholders can hopefully reflect on recent history: the company has boosted common payout every year since 1952.

PAPER

Bill Keady of Fibreboard Widens Profit Margins During $50,000,000 Expansion

THE YEAR the US entered War I, the firm which was to become medium-sized building materials maker Pabco Products (then known as the Paraffine Companies — yes, plural) made its corporate start in San Francisco. As early as 1927 the corporation undertook a major diversification move when it joined with West Coast paper giant Crown Zellerbach Corp and organized Fibreboard Products Inc to manufacture paperboard.

Fibreboard quickly prospered and by the Fifties its dividends had become a mainstay of Pabco profits. Since Pabco needed cash for its own operations, many observers figured it might have to sell its 56% interest in Fibreboard. Instead Pabco president William Keady swung a $65,000,000 loan from two New York insurance firms with which he bought the remaining interest in Fibreboard from Crown Zellerbach (for $38,000,000) and refinanced Pabco's existing long-term debt. As added inducement Pabco issued a ten-year option to the insurance companies to purchase 216,400 common shares at an average price of $43.90. At the time the stock was selling well below 30 but the 1,746,000 shares have now risen to 49.

Effective with the start of 1956 the acquisition created an enterprise "with two growth industries [packaging and building materials] in the fastest growing section of the country—namely the West Coast." It was admittedly a "Jonah-swallowed-the-whale" operation since Fiberboard's sales were triple Pabco's and the profits differential was even greater. In recognition of the consolidated company's major interest, Pabco promptly re-christened itself Fibreboard Paper Products Corp (IR, Sept 19, 1956) and assumed the ticker symbol FPP on the Big Board.

The change of status was dramatically reflected in the financial statements. In fiscal 1955 Pabco alone earned $2,060,000 or $1.30 a share on sales of $31,500,000; the following year the consolidated and renamed Fibreboard Company earned $5,880,000 or $3.78 a share on shares then outstanding (or $3.52 on the present number of shares)—highest up to this year—on $127,000,000 volume. To the delight of approximately 5,000 stockholders Pabco's old 25¢ annual payout was hiked to $1.05 in 1956 and the current $1.20 annual rate was reached the next year. The common shares nearly doubled from Pabco's 1955 low of 22 to Fibreboard's high of 42 in July 1956. With a combination of growing pains and a general paper recession, they dropped to 20 in 1957 but recovered to an alltime high of 58 early this year.

Expansion Architect. The man behind the bold moves which fashioned the new Fibreboard and now busily seeks to further strengthen and expand the $130,000,000-assets

company is 65-year-old William Leo Keady, an Annapolis graduate with a lifetime's experience in the building materials business. He started his business career under Sewell Lee Avery's direction at US Gypsum Company in 1924, became president in 1942 and resigned in 1949 when "Mr Avery decided to re-enter active management." During the seven years as top man at US Gypsum, Bill Keady supervised a war & postwar expansion program which moved sales from around $85,000,000 in 1946 to $250,000,000 by the time it was completed. Then after a brief stint as head of Wisconsin paperboard maker Marathon Corp (now part of American Can) he took over the presidency of Pabco in 1952.

At times prexy Keady has been criticized for keeping so much of Fibreboard resources in cash and Governments ($23,500,000 at latest count compared with $8,800,000 in current liabilities). In fact, Bill Keady jokes "it looks like I've caught a disease" from long service under ultra-conservative Avery. Contagious conservatism or no, he was daring and able enough to put through the basic Fibreboard acquisition, assuming a heavy debt but "avoiding any dilution of our common stock." Besides, repayments on the big loan (which carries a relatively favorable 4½% interest rate) in $3,000,000 annual instalments "don't start until 1962 by which time we expect to enjoy substantial cash flow from new capacities we are building."

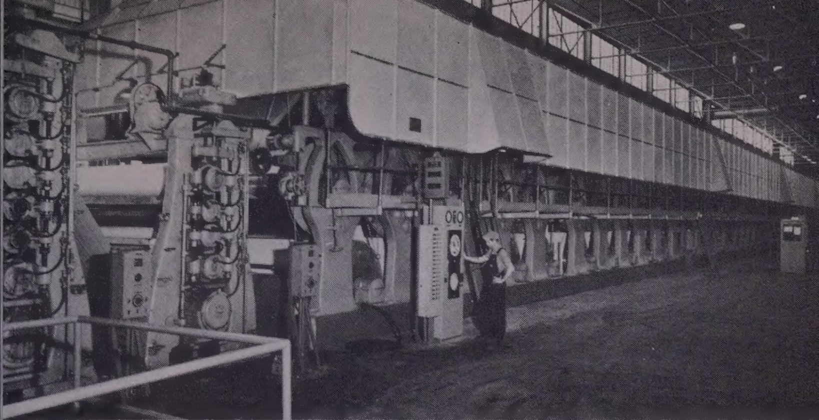
As for the build-up of current reserves, "we went out to strengthen our cash position so we can finance our presently contemplated major expansion program without recourse to additional outside financing." The company has gone ahead on some expansion projects in the past few years but a major portion of its $50,000,000 new facilities program is underway currently.

Growth Machinery. The biggest step was announced in April—a third paperboard mill to be at the San Joaquin plant in Antioch, Cal. Slated for completion by August 1960 the new unit will make kraft liner board for corrugated shipping containers. Initial capacity will be 72,000 tons a year but the mill is designed for easy subsequent expansion to twice that amount. Fibreboard's current paperboard capacity is 425,000 tons.

Paperboard mills such as the one Fibreboard is now building are very costly items (between $14,000,000 & $17,000,000). But due to the impact of the recession on capital goods and Fibreboard's ability to move fast with its strong cash position, "we got a very good contract price [outsiders estimate under $14,000,000] for our new plant."

Like the other San Joaquin mills, the new unit will utilize "wood chips from California logging and saw mill operations. Use of these plentiful forest by-products, made possible as a result of our research efforts, is not only economical for us but benefits the state's timber economy. And it enables us to continue to keep our own 96,000 fir and pine acres as a reserve for the future."

As president Keady explains the need for the new unit: "Paperboard



Fibreboard paper machine feeds growing Western market

equirements grow proportionately vith the rate of population growth." ;ince Fibreboard is the largest paper-ˑoard manufacturer in the West, an rea which is growing much faster han the rest of the US, its annual apacity of 425,000 tons of paper-ˑoard had to be enlarged to meet ˑroadened markets. Another new ˑlant (shipping containers) has just ˑeen started in Phoenix and will be ınished by year-end.

Building Blocks. Meantime, the ompany does not neglect its other 'growth industry"—building ma-erials which are still sold under the 'abco tradename and bring in oughly one-fourth of corporate ales. Most promising aspect of the livision are gypsum products which ccount for about $9,000,000 in sales ınd by "1962 this will be two and a ıalf times greater." Programs now ınderway include 50-to-60% enlarge-nent of gypsum wallboard plants at Newark in northern and South Gate n southern California. One new elec-ronically-controlled gypsum plaster nill was completed last March at Florence, Colo, and a second one will be "on stream" at South Gate by the close of this year. Pabco's wide product roster is rounded out by asphalt roofing, asbestos-cement products, industrial insulations, paint and floor coverings.

Fibreboard's active research seeks to develop new products for both fields. One item in building materials announced last month is Pabcowall, an economical movable gypsum wall partition. On the container side an exciting development is the Fibre-matic carton for frozen foods, which has a broad potential for other prod-ucts requiring a liquid-tight package. The new package can be filled and sealed in one operation.

Concentrated on the West Coast ex-cept for its incursion four years ago into the also swiftly growing Rockies area, Fibreboard had also carried a few Eastern appendages thoroughly isolated from the rest of the com-pany. But in 1957 Fibreboard's money-losing floor covering plant facility at Metuchen, NJ was sold, adding more than $8 million to the

company's cash position. During the same year the low-profit Eastern division (Baltimore carton plant and Philadelphia container plant) was also sold. As a result of the elimination of these Eastern factories plus lower selling prices for corrugated shipping containers plus the recession, 1958 sales declined 9% to \$114,700,000. However profits climbed to \$4,813,000 or \$2.86 a share compared with \$4,086,000 or \$2.47 in 1957.

Bill Keady neatly tells the story of the improved profit margins. "In 1956 we had many duplications from the merger. By 1957 we knew what we had to do and we went to work on it. Because of fewer frills and greater operating efficiency our net income was greater on the lower sales brought about by the recession."

Happily margins continued to widen in the first half of this year as sales rose 7% to \$58,100,000 while earnings jumped 32% to \$2,715,000 (\$1.55 a share) *v* \$2,051,000 or \$1.22 netted in the same 1957 period. For all of 1959 president Keady states: "We surely ought to do \$3 and it could be higher."

Mapped Moves. He looks for further expansion ahead. While glad to eliminate the isolated Eastern units, his geographic conservatism does not stop him from moving into other expanding areas which ar more logical for Fibreboard. Hawaiian container plant is unde construction and "we are conten plating further expansion there, i Australia and elsewhere in the Pa cific region which we believe offer us a great market potential." The Bill Keady adds disarmingly: "A you know, Westward is not the onl direction to go * * * but to be mor specific at this time would b imprudent."

President Keady believes one o his most vital responsibilities a Fibreboard is to build a strong man agement team. Confident he has suc ceeded, he recently described th development of the company's to management as "one of the fiv major accomplishments at Fibre board during the past four years."

Summing up, Bill Keady figure "our major capital expansions ca be expected to start contributing t our earnings in 1960. By 1961 the will be adding importantly to ou profits with growing benefits as th years progress. By 1962 if price and costs stay the same our expansion program should add about \$1.5 to our earnings * * * enough s annual repayment on the long-term debt will not restrict the continued growth of Fibreboard Paper Products—a growth in which I believe strongly."

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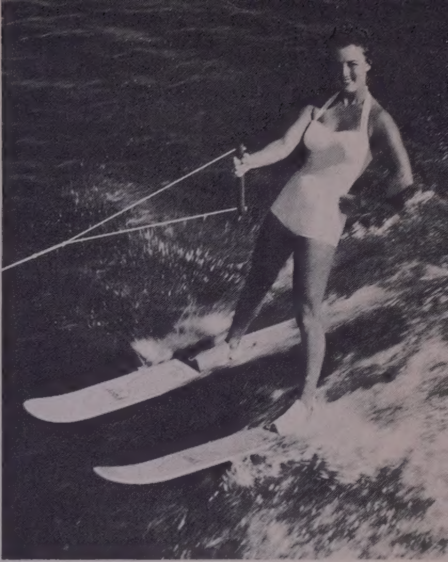

This upright aquamaid skimming across the water is but one of an estimated 5,000,000 people who are stepping onto water skis this Summer to enjoy one of the most rapidly growing sports in the nation. In fact next weekend some 100 expert men, women and children will display their jumping, trick riding and slalom finesse in the National Championship meet which will be held at Lake Opechee near Laconia, NH.

Last year some 150,000 pairs of water skis were sold v around 2,000 in 1950. Educated guesses are the number will jump to 250,000 this year.

Over 200 companies are turning out the twin boards, from AMF subsidiary Voit Rubber Company to backyard hobbyists. They can even be ordered from a Sears, Roebuck catalogue. The largest supplier is privately-owned Hedlund Manufacturing Company of Nokomis, Ill, which like fellow supplier Northland Ski Manufacturing Company of St Paul also makes snow skis, sleds, and aquaplanes. Hedlund's 68,000 pairs accounted for around 38% of all water skis sold in 1958. This year's production was geared for a one-third increase but near the end of the summer season, the firm reports supply is still two weeks behind demand.

The largest volume in fiberglas water skis is done by Kimball Manufacturing Company, out on the West Coast. (Until July 31 when it was sold to the management, Kimball was owned by druggist Bristol-Myers.) At $45-to-50 a pair, the fiberglas skis are more expensive than the conventional ash or mahagony ones which sell for around $30. Some other manufacturers combine a wooden ski with a fiberglas skin finish. A St Charles, Mo company has just introduced aluminum skis and according to Jack Andresen, president of the American Water Ski Association, they "ride very well." But he adds, "Wooden skis are used by the vast majority." Cordage makers are tying in with the bonanza, expect to produce 300,000 tow ropes this year.

However one group which has not benefited from the ski spree are the insurance companies. After finding out the hard way that accidents, though relatively rare, can be costly, several firms have clamped a liability limit on policies covering boats used for pulling hitch-skiers.

SCHISM AND CYNICISM

According to Samuel Butler, the Victorian novelist who was something of an iconoclast as well, "All progress is based on a universal, innate desire on the part of every organism to live beyond its income"—a cynical observation that probably contains more than a grain of truth.

Of course, consistently living beyond your income is not good for either your peace of mind or your credit rating, but forcing yourself to live within it can be pretty rigorous, too.

As far as we know, there are just two ways out of this dilemma.

One is to turn your back on progress, take tranquilizers, and enjoy the *status quo* and the income you have.

The other is to hail progress and try to increase your income so that you won't mind living within it.

If you choose the first alternative, you're on your own. But if you elect to follow the second course, we may be able to help—for example, by sending you a copy of our booklet called "Dividends," which lists more than 800 companies that have paid dividends for 20 years or more—dividends that over the past five years have ranged from 4.1% to 6.1% on the average.

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